## **OTC Toolkit: Gold spot Market Making and the EFP**

## How our futures exchange and clearing facility is connected to OTC markets

The world's physical precious metals market accesses liquidity from COMEX futures. The
key being that every spot trader can derive a spot price from the futures using the EFP.
 When a client buys or sells gold the trader lays off the risk on COMEX and then can trade
the EFP to remove all risk.

## Globex/ Floor

## ClearPort

Spot trade	Futures COMEX Find liquidity	<b>EFP</b> To Futures market
Client asks for a quote for spot gold. The trader checks where the CME futures price is trading and the current EFP price. The trader quotes a spot price.	The trader can access other buyers and sellers on Globex, CME's 23 hour futures trading platform	Trader sells the EFP in order to flatten out both his spot and futures positions.
e.g. A. Client buys/trader sells Trader is short 4,000 oz of spot	B. Trader buys 40 lots of GC Trader has hedged his outright price risk but now has an EFP position.	C. Trader sells 40 lots of GC and buys 4,000 oz of spot.

